

Message Text

CONFIDENTIAL

PAGE 01 GEORGE 00222 01 OF 02 131921Z

51

ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 EB-03 COME-00 TRSE-00 CIEP-01

OMB-01 OPIC-01 NSC-10 NSCE-00 CIAE-00 INR-10 NSAE-00

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P R 131815Z FEB 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC PRIORITY 9337

INFO AMEMBASSY KINGSTON

C O N F I D E N T I A L SECTION 1 OF 2 GEORGETOWN 0222

LIMDIS

E.O. 11652: GDS

TAGS: EMIN, EIND, PFOR, GY

SUBJECT: BAUXITE: REYNOLDS' TALKS WITH GOG

REF: (A) GEORGETOWN 1501, NOV 30, 1972

(B) GEORGETOWN 010

(C) GEORGETOWN 0081

SUMMARY: JUSTICE ARTHUR GOLDBERG, RETIRED REYNOLDS BOARD CHAIRMAN JOSEPH MC CONNELL, REYNOLDS VP RICHARD ROBERTS AND COUNSEL JAMES GALAY DEPARTED GEORGETOWN AFTERNOON FEB 12 AFTER 24-HOUR VISIT. MET IN MORNING WITH PRIME MINISTER BURNHAM AND ADVISORS FOR ABOUT TWO HOURS TO DISCUSS FUTURE OF REYNOLDS GUYANA MINES. AS ANTICIPATED, SECENARIO VIRTUAL REPEAT OF MEETING NOV 29, 1972(REF A). AGAIN REFUSED ANSWER WHETHER COULD ACCEPT PRINCIPLE OF "PARTICIPATION." UPSHOT WAS THAT FURTHER NEGOTIATIONS DEFERRED UNTIL AFTER CONAKRY MEETING OF BAUXITE PRODUCING COUNTRIES. IT OBVIOUS THROUGHOUT THAT BURNHAM NOT ANXIOUS PRECIPATE CONFRONTATION RIGHT NOW, ALTHOUGH HE REJECTED PROPOSALS WHICH WOULD HAVE MEANT RETREAT FROM POLICY ON OWNERSHIP AND CONTROL (REF B). THOUGH MOMENT OF DECISION AGAIN DEFERRED, IT STILL CLEAR REYNOLDS' DAYS HERE ARE NUMBERED. END SUMMARY

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 GEORGE 00222 01 OF 02 131921Z

1. JUSTICE ARTHUR GOLDBERG ARRIVED GEORGETOWN MID-AFTERNOON FEB 11 ABOARD REYNOLDS' COMPANY PLANE, ACCOMPANIED BY RETIRED BOARD CHAIRMAN JOSEPH MC CONNELL AND VP RICHARD ROBERTS. JOINED HERE BY COMPANY COUNSEL JAMES GALAY.

2. GOLDBERG AND MC CONNELL STAYED AT RESIDENCE, SO HAD AMPLE TIME BEFORE AND AFTER DINNER AT LOCAL MANAGER'S FILL THEM IN PRIVATELY ON MY OWN AND EMBASSY'S VIEWS OF WHERE GOG WANTS GO IN IMPLEMENTATION OF POLICY ON OWNERSHIP AND CONTROL OF EXTRACTIVE INDUSTRIES, TO SUGGEST THEMES AND APPROACHES WHICH MIGHT HAVE EFFECT ON PRIME MINISTER BURNHAM'S THINKING AND TO FOREWARN THEM OF POINTS GOG REPS WOULD PROBABLY RAISE AT MEETING SCHEDULED FOR MORNING FEB 12.

3. FOUR VISITORS, EMB ECON OFFICER AND I REPAIRED TO LOCAL REYNOLDS MANAGER GEORGE WAGNER'S HOME WHERE OFFERED BUFFET DINNER. JOINED BY THE THREE LUCKHOO BROTHERS, E.V. (CHANCELLOR OF JUDICIARY), SIR LIONEL (CLOSE TO BURNHAM AND IN SENSE AN ADVISER ON BAUXITE AFFAIRS, AT LEAST AS THEY AFFECT REYNOLDS) AND LLOYD (REYNOLDS' LOCAL LAWYER). IN EFFECT THEY CONFIRMED EMB'S VIEW THAT BURNHAM WOULD NOT PRECIPATE CRISIS AT THIS TIME BUT ALSO WAS WORRIED ABOUT INVESTMENTS, CAPITAL FLOWS AND GENERAL STAGNATION OF REYNOLDS GUYANA MINES. READING FROM NOTES OBVIOUSLY PREPARED ON BASIS TALKWITH BURNHAM, SIR LIONEL THREW OUT SUGGESTION THAT BURNHAM FELT COMMITTED TO CANADIAN PRIME MINISTER TRADEAU TO MOVE AGAINST REYNOLDS IN VIEW CANADIAN INSISTENCES ON NON-DISCRIMINATORY TREATMENT. THIS NOT TAKEN SERIOUSLY BY GROUP.

4. GOLDBERG MET ALONE WITH BURNHAM FOR ABOUT 45 MINUTES MORNING FEB 12. ACCORDING TO HIM, BURNHAM SAID FLATLY COULD NOT RETREAT FROM ANNOUNCED POLICY ON OWNERSHIP AND CONTROL, VIZ. MINIMUM OF 51 PERCENT EQUITY OWNERSHIP, CONTROL OF MANAGEMENT COMMENSURATE WITH SUCH OWNERSHIP AND COMPENSATION TO BE PAID OUT OF FUTURE AFTER-TAX PROFITS AT DEFERRED RATE AS IN CASE ALCAN. AT SAME TIME, BURNHAM DID NOT APPEAR ANXIOUS TO PRECIPITATE CONFRONTATION. SUGGESTED GOLDBERG CARRY THROUGH AND PRESENT PROPOSAL FOR CONFIDENTIAL

CONFIDENTIAL

PAGE 03 GEORGE 00222 01 OF 02 131921Z

JOINT VENTURE IN NEW CALCINED PLANT (WORKED OUT PREVIOUS EVENING), WHICH WOULD BE REJECTED, AND THEN PROPOSE ALTERNATIVE OF POSTPONING FURTHER NEGOTIATIONS UNTIL BAUXITE PRODUCING COUNTRIES HAD HAD THEIR MEETING IN CONKARY (WHICH GOLDBERG/MC CONNELL SEEM TO BELIEVE MAY SET STAGE FOR SIGNIFICANT CHANGES IN RELATIONSHIPS OF PRIVATE PRODUCERS IN THOSE COUNTRIES).

5. FORMAL MEETING, WHICH WENT ON FOR LITTLE OVER HOUR AND A HALF WHILE ENTIRE CABINET WAITED IN ANTEROOM, THEN OPENED. BURNHAM FLANKED BY MINISTER OF ENERGY AND NATURAL RESOURCES JACK, ATTORNEY GENERAL SHAUABUDEEN, GUYBAU CHAIRMAN PAT THOMPSON AND, INCONGRUOUSLY, AN AMERICAN PUBLIC RELATIONS ADVISER NAMED EARL BROWN, ALL ON ONE SIDE OF THE TABLE. GOLDBERG, MC CONNELL, ROBERTS, WAGNER AND I SAT ON OTHER SIDE.

6. BURNHAM OPENED WITH UNUSUALLY FORMAL (FOR HIM) WORD OF WELCOME. EXPRESSED APPRECIATION OF PROMPTNESS AND SPIRIT WITH WHICH REYNOLDS RESPONDED TO INVITATION INITIATE NEGOTIATIONS AND OF ASSURANCES PREVIOUSLY GIVEN HIM THAT PARTIES COULD "DIFFER LIKE FRIENDS." GRATEFULLY RECALLED MC CONNELL HAD AGREED LATE 1972 NOT LAY OFF REDUNDANT WORKERS, WHICH HAD HELPED HIM OUT OF POLITICAL DILEMA.

7. MC CONNELL REPLIED WITH EQUALLY GRACIOUS ASSURANCE THAT LOOKED FORWARD TO TALKS WHICH WOULD REMAIN AMICABLE NO MATTER HOW THEY WENT. REITERATED REYNOLDS' DESIRE BE "GOOD CITIZEN" AND SUPPORT BURNHAM AND HIS GOALS. SAID COMPANY OF COURSE WOULD LIKE CONTINUE OPERATE "AS IS," BUT WHATEVER MIGHT COME WOULD CONTINUE BE FRIEND OF GUYANA.

8. MINISTER JACK THEN TOOK FLOOR AND TRIED, UNSUCCESSFULLY AS IT TURNED OUT, GET DOWN TO BUSINESS OF DAY--COULD REYNOLDS ACCEPT PARTICIPATION IN PRINCIPLE. IF SO, NEGOTIATIONS COULD GO FORWARD ON FORMS AND MODELS. IF NOT, FUTURE TALKS WOULD FOCUS ON VALUATION AND COMPENSATION. ALL THIS WENT MUCH ALONG LINES OF JACK'S SIMILAR EFFORT ON NOV 29, 1972, AND AS HE HAD OUTLINED HIS STRATEGY TO ME ON JAN 3 (REF B). COMPLAINED MIDLY OF INABILITY EXTRACT CLEARCUT ANSWER FROM COMPANY AND OF FACT COMPANY'S OPERATION
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 GEORGE 00222 01 OF 02 131921Z

IN GUYANA BEING RUN DOWN AND USING UP CAPITAL, WITH NO NEW INVESTMENT, ALTHOUGH PATENTLY FOR PERFECTLY VALID REASONS GIVEN UNCERTAINTY SURROUNDING IT. THROUGHOUT EXPOSITION, WHICH WAS CLEAR AND TO THE POINT. JACK WAS LESS INSISTENT AND MUCH MORE RELAXED THAN ON PREVIOUS OCCASIONS.

CONFIDENTIAL

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PAGE 01 GEORGE 00222 02 OF 02 131932Z

64

ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 EB-03 COME-00 TRSE-00 CIEP-01

OMB-01 OPIC-01 NSC-10 NSCE-00 CIAE-00 INR-10 NSAE-00

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P R 131815Z FEB 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC PRIORITY 9338

INFO AMEMBASSY KINGSTON

C O N F I D E N T I A L SECTION 2 OF 2 GEORGETOWN 0222

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9. GOLDBERG REPLIED, MUCH AS HE HAD ON NOV 29, 1972 WITH REFERENCES TO "MOOD OF CONGRESS." ALSO STRESSED ANGER OIL PRODUCING COUNTRIES GENERATING IN US, EXPERIENCE OF OIL COMPANIES WHICH HAD HAD NEWLY NEGOTIATED CONTRACTS ON PARTICIPATION ALMOST IMMEDIATELY TORN UP AND REPLACED BY FURTHER DEMANDS ETC. "NO AMERICAN COMPANY TODAY LIKES PARTICIPATION" AND "NO DEAL STICKS," HE SAID, AT THE SAME TIME REAFFIRMING HIS AND REYNOLDS FULL FAITH IN BURNHAM AND HIS WORD. AS HE DID FIFTEEN MONTHS AGAO, GOLDBERG ARGUED THIS NO TIME PRESS FOR AN ANSWER ON PARTICIPATION.

10. GOLDBERG WENT ON TO ARGUE THAT FORTHCOMING CONFERENCE OF BAUXITE PRODUCERS IN CONAKRY MIGHT CHANGE RULES OF GAME. BUT GUYANA, PRODUCING ONLY ONE PERCENT OF WORLD'S OUTPUT, WOULD NOT BE ABLE CALL SHOTS. NO ONE COULD TELL WHAT MIGHT TRANSPIRE. HOW COULD ANYONE, ON EITHER SIDE, JUSTIFY DECISIONS ON FUTURE ON EVE OF CONFERENCE.

11. PROBABLY AS WINDOW DRESSING, GOLDBERG (WITH MC CONNELL WORRIEDLY OBJECTING THAT HE WAS "GIVING AWAY MY COMPANY") THEN OUTLINED PROPOSAL FOR NEW JOINT VENTURE IN WHICH REYNOLDS AND GOG WOULD SHARE 50-50 IN OWNERSHIP AND FINANCING OF 100,000 TON CALCINED BAUXITE PLANT, TO BE MANAGED BY REYNOLDS (WITH GOG CONFIDENTIAL

CONFIDENTIAL

PAGE 02 GEORGE 00222 02 OF 02 131932Z

"PARTICIPATION") WHICH WOULD REQUIRE INVESTMENT OF ABOUT 3.5 MILLION US. GOLDBERG THOUGHT GOG HALF COULD BE FINANCED WITHOUT DIFFICULTY. THIS WAS REPEAT, IN SOMEWHAT MORE CONCRETE TERMS, OF OFFER GOLDBERG MADE TOBURNHAM IN FEB 1971.

IT FARED LITTLE BETTER THIS TIME. BURNHAM AND JACK WANTED KNOW WHY SAME APPROACH COULD NOT BE TAKEN TO EXISTING MINING OPERATIONS AND WERE NOT IMPRESSED BY GOLDBERG'S EFFORTS DRAW DISTINCTION BETWEEN JOINT UNDERTAKING IN WHOLLY NEW VENTURE AND TAKING OVER SHARE OF GOING CONCERN AFTER OTHER PARTY HAD ASSUMED INITIAL RISKS, DONE EXPLORATION, SET IT UP ETC. AT SAME TIME, MC CONNELL HAD MISGIVINGS ABOUT EMBARKING ON NEW VENTURE WITHOUT PRIOR ASSURANCES REGARDING MINING OPERATIONS OVER EXTENDED PERIOD, MISGIVINGS WHICH JACK READILY CONCEDED WERE JUSTIFIED. GOLDBERG ARGUED PROPOSED VENTURE WOULD NOT PRECLUDE CONTINUED DISCUSSION OF MINING OPERATIONS AND THAT COMPANY WOULD "HOPE" GOG WOULD LEAVE MINES ALONE. IF HAD ANY DOUBTS ABOUT BURNHAM'S WORD WOULD ADVISE COMPANY SAY NO TO PARTICIPATION AND GOG TO PROCEED TO NATIONALIZATION. JACK AND MC CONNELL AGREED ALL THIS NOT FEASIBLE.

12. THIS DISCUSSION CONSUMED MOST OF MEETING AND FURTHER DETAILS NOT WORTH REPEATING HERE. HOWEVER, BURNHAM GAVE PROBABLY MOST REVEALING INDICATION HIS THINKING WHEN HE REFERRED TO GOLDBERG'S "HOPE" THAT MIGHT LEAVE MINES ALONE. ASSERTING THAT HIS STOCKHOLDERS WERE MORE FICKLE THAN REYNOLDS', HE SAID THAT IF SUCH "HOPE" BORN TO FRUITION COMPANY WOULD BE DEALING WITH NEW PRIME MINISTER SINCE HIS GOVT COULD NOT POSSIBLY SURVIVE. ADDED THAT IT HIGH TIME COMPANIES ENGAGED IN EXTRACTIVE INDUSTRIES RECOGNIZED CONVICTION IN DEVELOPING COUNTRIES THAT ORE BODIES THEMSELVES HAD VALUE, NOT JUST MACHINERY, INFRASTRUCTURE AND TECHNOLOGY BROUGHT IN TO EXPLOIT THEM. ASKED MC CONNELL NOT TO REACT NOW BUT THINK ABOUT IT. MC CONNELL AGREED DO SO.

13. AT GOLDBERG'S INVITATION BURNHAM CLARIFIED THAT HIS COMMITMENT TO CANADIAN PRIME MINISTER TRUDEAU AT SINGAPORE WAS SIMPLY NOT TO OFFER REYNOLDS BETTER TERMS THAN THOSE ALCAN RECEIVED.

14. REVERTING TO CONAKRY MEETING AND SUGGESTION THAT FINAL DECISIONS BE DEFERRED PENDING ITS CONCLUSION, GOLDBERG THEN CONFIDENTIAL

CONFIDENTIAL

PAGE 03 GEORGE 00222 02 OF 02 131932Z

PROPOSED "ALTERNATE PROCEDURE," VIZ THAT TWO SIDES SAY PUBLICLY THAT THE NEGOTIATIONS BEGUN ON DEC 28, 1973 HAD CONTINUED IN AMICABLE SPIRIT AND WOULD CONTINUE IN SAME SPIRIT. BURNHAM JOCULARLY BROKE IN TO REASSURE ME "BEFORE WITNESSES" THAT WOULD HAVING NOTHING DRAMATIC TO SAY ABOUT REYNOLDS ON FEB 23, REPUBLIC DAY (REF C). JACK AGREED THERE SHOULD BE NO DETAILED DISCUSSIONS BEFORE CONAKRY MEETING. ONCE THAT OVER, HE SUGGESTED, TWO SIDES SHOULD GET TOGETHER TO FIX TIME FOR RESUMPTION OF TALKS AND SET UP NEGOTIATING TEAMS. SIGNIFICANTLY, HE DID NOT SAY WHAT WOULD BE NEGOTIATED THEN

NOR DID ANYONE ELSE IN REACHING UNANIMOUS
AGREEMENT ON THIS PROCEDURE AND ADJOURNING MEETING.

15. PAT THOMPSON IMMEDIATELY THERAFTER DRAFTED BRIEF
COMMUNIQUE TO BE ISSUED LOCALLY. READ IT OVER PHONE TO
GOLDBERG WHO CONCURRED. INTERESTINGLY, IMPLIES THAT TALKS
WERE WITH JACK AS STATES REYNOLDS REPRESENTATIVES "ALSO
PAID A COURTESY CALL ON THE PRIME MINISTER." SAID DISCUSSIONS
(NOT NEGOTIATIONS) CONDUCTED "IN A FRANK BUT CORDIAL MANNER
AND ARE TO BE CONTINUED."

16. GOLDBERG, MC CONNELL , ROBERTS AND GALAY DEPARTED FOR
JAMAICA MID-AFTERNOON FEB 12.

17. COMMENT: MOMENT OF DECISION HAS THUS BEEN PUT OFF
AGAIN. IT WILL COME SOONER OR LATER, OF COURSE. IT IS
CLEAR THAT WHILEBURNHAM WANTS AVOID CONFRONTATION AT THIS
STAGE, PREOCCUPIED AS HE IS WITH COUNTRY'S SERIOUS ECONOMIC,
FISCAL AND ENERGY PROBLEMS, HE IS NOT PREPARED, IN FACT
FEELS UNABLE, TO RETREAT FROM "MEANINGFUL PARTICIPATION."
REYNOLDS, CONCERNED IN PART WITH PRECEDENT FACTOR AS FAR
AS ITS OWN RELATIONS ELSEWHERE MAY GO, APPEARS LESS INCLINED
THAN EVER TO CONCEDE PARTICIPATION, CERTAINLY NOT UNDER
GOG'S TERMS AND DEFINITION. HOW LONG TWO SIDES CAN CONTINUE
TO TEMPORIZE AND POSTPONE IS PROBLEMATIC. THIS TIME,
TALKS WERE AGAIN AMICABLE, NO THREATS WERE MADE AND WORD
"NATIONALIZATION" USED ONLY ONCE, BY GOLDBERG. KING

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Message Attributes

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